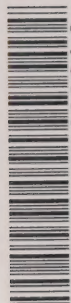
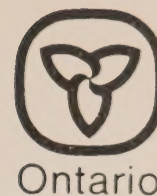


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NIAGARA REGION STUDY REVIEW COMMISSION


INDUSTRIAL PROMOTION IN THE NIAGARA REGION

A Background Report Prepared by:
Smith, Auld & Associates Ltd.
September 1976

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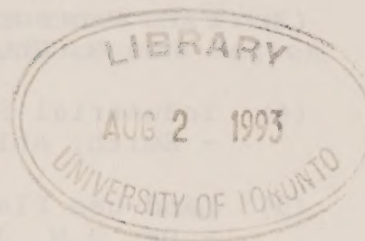
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NIAGARA REGION STUDY REVIEW COMMISSION

INDUSTRIAL PROMOTION IN THE NIAGARA REGION

An Examination of the Current Activities of
The Area Municipalities and Possible Involvement
of the Regional Municipality in Industrial Promotion

A Background Report Prepared by:
Smith, Auld & Associates Ltd.
September 1976



This report has been prepared upon request of William L. Archer, Commissioner, appointed by the Treasurer of the Province of Ontario to undertake an independent study review of local government in the Region of Niagara.

The conclusions presented in this Background Report do not necessarily reflect the views of the Niagara Region Study Review Commission.

The final report of the Commission will be submitted to the Treasurer of the Province of Ontario on or before January 15, 1977. After that date, inquiries should be made to the Local Government Organization Branch, Ministry of Treasury, Economics and Intergovernmental Affairs, Queen's Park, Toronto (965-6934).

The following Background Reports have been prepared for the Commission and are available from the Commission offices or the Ministry of Treasury, Economics and Intergovernmental Affairs:

- (1) Electoral Systems in the Niagara Region
- M.J. Powell
- (2) Environment Ministry - Farm Tax Rebate: Two Case Studies, Provincial Municipal Relations in the Niagara Region
- Smith, Auld & Associates Ltd.
- (3) Fire Protection in the Niagara Region
- Dr. R. Church
- (4) Industrial Promotion in the Niagara Region
- Smith, Auld & Associates Ltd.
- (5) Land-use Planning in the Niagara Region
- Dr. J.N. Jackson
- (6) Mass Media in the Niagara Region
- Dr. W.H.N. Hull
- (7) Municipal Organization in the Niagara Region
- Dr. R. Church
- (8) Public Finance in the Niagara Region
- Dr. Lewis A. Soroka

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SUMMARY

The purpose of industrial promotion is to attract business and industrial firms and other organizations to locate within a territory (be it regional municipality or area municipality) and to assist in the development and the maintenance of the well-being of existing firms in order to enhance the economic and social strength of that territory. Industrial promotion thus consists of three basic sets of activities. First, through advice and persuasion, attempts are made to provide a variety of amenities and facilities in the territory which will make it appealing to industry. Most important among these would be municipally-owned industrial park land. Second, the territory is promoted through such means as personal contact and the distribution of literature describing the advantages of locating within the territory. Third, a variety of services are provided to existing firms in recognition of the fact that most industrial growth is normally achieved through such firms rather than by attracting totally new firms to locate within the territory.

As a program of local government in the Niagara Region, responsibility for industrial promotion rests more at the area municipal level than at the regional municipal level. Until fairly recently, the Regional Municipality has neither been permitted by the Province to assign high priority to industrial promotion and nor, within any such constraints, has it apparently wished to do so. The Regional Municipality has no specialized industrial promotion unit or staff, it spends little money on industrial promotion and only recently has it established a committee to deal with industrial promotion.

At the area municipal level within the Niagara Region, industrial promotion is characterized by diversity. Among the twelve area municipalities, there are wide variations in the funding, staffing, organizational arrangements, the provision of municipally-owned industrial park land and in the approach taken to industrial promotion. Some area municipalities, usually those which already have considerable industry, undertake substantial industrial promotion activities. Others can afford (or have chosen) to do little or nothing about industrial promotion. The former tend to be proactive in their approach, actively "selling" the municipality to prospective industrial companies. The latter tend to be reactive, waiting to be contacted by likely companies. While no assessment has been made of the effectiveness of industrial promotion within the Niagara Region, it seems fair to suppose that the more industrial promotion activity undertaken by an area municipality, the more successful it is in attracting, retaining and in assisting in the development of industry within its borders. In industrial promotion activity, there

is some feeling of competition and little or no co-operation among the area municipalities.

In considering what role, if any, the Regional Municipality could play in industrial promotion there would appear to be three major related issues. First, the preservation of local autonomy is accorded high value by many people within the Niagara Region. They regard industrial promotion as essentially an area municipal matter and resent the idea of any regional involvement. This is a very emotional issue and forms part of the general feelings about the value, or lack of value, of regional government in Niagara. Second, there is a substantial body of opinion that holds that since the benefits of industrial promotion accrue at the area municipal level, responsibility for industrial promotion could not be assumed by the Regional Municipality. This argument is questionable and may be based on a failure to understand the complexities of municipal financing. Third, there is the planning issue. This is almost philosophical in content and is made more complex by current concerns for the preservation of agricultural land in the Niagara Region and the location of area municipal boundaries. Even among people who accept that industrial promotion is an integral part of regional planning and development, a potential role for the Regional Municipality in industrial promotion is sometimes questioned on the grounds that it would be unlikely to undertake such activity in a sensitive and responsive manner.

Given the current industrial promotion activities being performed in the Niagara Region and the issues associated with such activity, there would seem to be three major options available to the people of Niagara regarding industrial promotion.

Responsibility for industrial promotion could be left entirely at the area municipal level. This would require no change in what is happening now other than the disbanding of the committee established by the Regional Municipality to deal with industrial promotion. Full recognition would be given to the need to preserve local autonomy. Conflict between the area municipalities and the Regional Municipality in industrial promotion activity would continue. The "have not" area municipalities would in all probability still undertake little or no industrial promotion and there would be no regional approach to industrial promotion within the Niagara Region.

Alternatively, total responsibility for industrial promotion could be assumed by the Regional Municipality. This option would give full weight to the need for a regional approach

and should result in better planning and development decisions being taken. Economies of scale in industrial promotion activity could be achieved and the smaller area municipalities which currently undertake little industrial promotion activity would benefit. This option would, of course, be resisted as an erosion of area municipal autonomy.

Within these two extremes, there is a compromise option. Variations on it exist but essentially it would mean that industrial promotion be established as a shared, but not necessarily hierarchical, responsibility between the Regional Municipality and the area municipalities. This option would require these two levels to work together constructively. There would be some danger of duplication of activity and while this option would not be easily implemented, it is recommended.

INTRODUCTION

Industrial promotion is not a major program of local government. It does not consume large amounts of the municipal budget, it does not employ large numbers of staff and it is not concerned with the delivery of some essential service required by residents. It is, however, an important program for it represents both an indirect statement of what a community has decided it wants to be - socially and economically - and also represents the attempts of that community to achieve some of its social and economic goals through the attraction and retention of business and industry within its borders. In a two-tiered local government system - as there is in the Niagara Region - industrial promotion also provides an interesting example of a program which can be conducted at either or both levels of government.

It was in recognition of this importance that industrial promotion was selected by the Niagara Region Study Review Commission as the subject of a small but special research project. The objectives of this research were to review industrial promotion as it was currently undertaken within the Niagara Region and to suggest what role, if any, could be played in industrial promotion by the Regional Municipality of Niagara.

This paper summarizes that research. It begins by outlining the purpose and nature of industrial promotion. This is followed by an examination of the division of responsibility for industrial promotion and the roles presently played by the Regional Municipality of Niagara and the twelve area municipalities. This section of the report includes discussion of the funding, staffing, organization and approach adopted in industrial promotion within the Region, the significance of municipally-owned industrial parks and it also comments on the question of inter-area municipal competition and co-operation, costs and effectiveness. The next section discusses the major issues associated with industrial promotion: those of local autonomy, the benefits of industrial promotion and its relationship to planning. Finally, three basic options are identified and briefly described. One does not require any change in the current division of responsibility; the others do. One of the options is recommended as an appropriate course of action.

CHAPTER 1 - THE PURPOSE AND NATURE OF INDUSTRIAL PROMOTION

As a responsibility of municipal government, the purpose of industrial promotion is to attract business and industrial firms and other organizations to a territory (be it area municipality or region) and to assist in the development and maintenance of the well-being of existing firms in order to enhance the economic and social strength of that territory. The benefits of industrial promotion are both direct and indirect. The direct benefits usually take the form of increased industrial and commercial property taxes and greater availability of employment to residents. Indirect benefits range widely and may include increased retail sales, lower residential property taxes and improved local government services.

Traditionally (and this is true to some extent in the Niagara Region), emphasis in industrial promotion is placed on persuading manufacturing firms to locate plants within a particular territory and in providing services to already established manufacturing firms. However, there is no reason that the definition of industrial promotion should not include both manufacturing and also service industries and organizations - the commercial and institutional sectors - provided that such organizations bring wealth into the territory from outside its borders. After all, Ottawa, with practically no manufacturing, has one of the highest per capita income levels in Canada.

Also somewhat traditional is the emphasis in industrial promotion which has tended to be placed on the benefit of attracting and retaining industry and commerce rather than on the costs. Implicit in the idea of industrial promotion is growth and it is only in fairly recent years that the virtues of growth have been questioned on the basis of its costs. Industrial and commercial growth is invariably accompanied by both benefits and costs and the latter can include overcrowding, pollution and the misuse of land. Growth is no longer automatically accepted as "a good thing".

The nature of the "product" being promoted is important. A number of factors influence a company in considering the general location for its plant or operation. Depending upon the type of business conducted, these factors may include proximity to desired markets, proximity to the supply of raw materials, the availability of labour, the adequacy and cost of transportation, the adequacy and cost of power, fuel and water, proximity to similar or related firms, suitability of the climate, general characteristics of the community (including cultural and recreational facilities), reasonableness of local taxes and often, very importantly, the availability of suitable land and buildings.

Clearly, in meeting many of these criteria, the Niagara Region has much to offer though it must be recognized that a company locates more within a specific community rather than within an area municipality, let alone a regional municipality. Not all the communities in the Niagara Region are of equal attractiveness to business enterprises and presumably do not necessarily want to be. Neither are all the area municipalities within the Niagara Region equally endowed with the general characteristics which would influence a location decision favourably.

Given a purpose and a "product", a cursory examination of what activities are normally undertaken in industrial promotion is desirable. Broadly speaking, they fall into three categories. First, it is necessary to ensure that there is something to actually promote. Within a general planning and development context, this means attempting to provide through advice and persuasion the hard services which industries often need (hydro, water, roads and sewage), land zoned for industrial and commercial development, cultural and recreational facilities and all those other things which may make a territory attractive to outsiders and industry. Much of this activity must be done in conjunction with and through local government authorities. Second, there is the promotional activity itself. Information about the territory is assembled and is disseminated by personal contact, media advertising, direct mail, visits to prospective organizations, conferences, through the Province and through intermediaries such as financial institutions, transportation companies, real estate agents and property developers. Third, service is provided to existing firms. Most economic growth, except in basically underdeveloped territories, is usually achieved through the expansion of on-going activities rather than by attracting totally new organizations to locate within the territory. An important part of industrial promotion, therefore, consists of providing the existing firm with a variety of services. These may include information and assistance regarding local, provincial and federal government grants, regulations and other activities, information and assistance regarding available land and buildings which might be required to accommodate the expansion of the existing firm and acting as a sort of general purpose industry association. These three categories of industrial promotion activity are all undertaken by area municipalities within the Niagara Region.

CHAPTER 2 - THE DIVISION OF RESPONSIBILITY

Responsibility for developing business and industry is, of course, divided among all four levels of government in Canada - federal, provincial, regional and area municipal - but no examination of the role of the federal government is necessary in this paper. While the federal government's impact on business and industry in Canada is profound, it is not directly engaged in industrial promotion for the Niagara Region or even indirectly since the Niagara Region has not been designated as a depressed area requiring special aid.

The Province has a more direct interest in industrial promotion, which it exercises both through regional governments and area municipalities and through its own departments and agencies, notably the Ministry of Industry and Tourism. This Ministry has two Industrial Development Consultants based in the Niagara Region in St. Catharines (as well as other staff concerned with tourism). These consultants act as extension officers of the Ministry in establishing and maintaining contact between the Province and businesses in the Niagara Region, particularly small businesses. They work with local officials and deal directly with business firms. They provide advice and information on provincial and federal aid-to-industry programs, on manufacturing and marketing opportunities and on technical assistance available to industry from the Ministry headquarters. In this way, the Province supplements rather than duplicates the activities of those local government officials engaged in industrial promotion in the Niagara Region. The Province's two regional officials serve business and industry in the Niagara Region rather than attempting to promote the Region itself and they have no responsibility for co-ordinating industrial promotion among the area municipalities within the Region. The Province also has more general loan and advisory service programs which it administers through development corporations. In these it is currently emphasizing Northern and Eastern Ontario rather than the more developed South. This, naturally, fails to please some people in the Niagara Region.

Industrial promotion, as defined, is primarily a responsibility at the regional and area municipal levels of government. It is also a discretionary not a mandatory activity. The Province may permit a municipality to engage in industrial promotion but it does not require it to do so. Neither does it exercise very tight control over any industrial promotion activity by its statutory, funding or approvals processes.

A - The Role of the Regional Government

In the more recently established regional governments in Ontario (for example, Sudbury and Durham), the Province has designated industrial promotion as an activity to be conducted at essentially the regional government level. In the "first generation" of regional restructuring, the Province left the major responsibility for industrial promotion at the area municipal level. This first generation, of course, includes the Niagara Region. There was thus a statutory limitation to what the Regional Municipality of Niagara could do in matters of industrial promotion, more so than for its constituent area municipalities.

The Regional Municipality of Niagara Act states that

"156. The Regional Corporation may make expenditures for the purpose of diffusing information respecting the advantages of the regional municipality as an industrial, business, educational, residential or vacation centre."

"157. The Regional Council may make annual grants to institutions, associations and persons carrying on or engaged in works that in the opinion of the Regional Council are for the general advantage of the inhabitants of the Regional Area."

Previously, the Act had limited expenditures to a sum "not exceeding \$50,000 in any one year" and had also placed a financial limit on the annual grants which could be made by Regional Council but these two provisions were repealed by the Province in 1973 and 1974, respectively, and the Act thus made less confining to the Regional Municipality. In neither its original nor amended form has the Act apparently directly constrained the Regional Municipality, however, for it has not chosen to embark on any noticeable industrial promotion activity. Indeed, it had seemingly given industrial promotion low priority in view of its greater need to attend to a variety of other matters, including the preparation of an official plan for the Region. Only in 1975 did the Regional Municipality of Niagara feel able to turn its collective attention to the subject of industrial promotion when it appointed a Business and Industrial Development Subcommittee of the Planning and Development Committee.

This Subcommittee is comprised of councillors who sit on the Planning and Development Committee and the Public Works and Utilities Committee of the Regional Municipality of Niagara. It is supported by staff from the Planning and Development Department and the Public Works Department.

Its primary objectives are:

- (1) To identify methods of strengthening economic development in the commercial and industrial sectors in the Niagara Region;
- (2) To implement these methods of economic strengthening where possible.

In its stated approach, it has emphasized the need for co-operation with other bodies and commissions of similar interest and orientation throughout the Niagara Region. Its budget is \$5,000 for the current fiscal year - a modest figure by comparison with the budgets of the subcommittees of the Planning and Development Committee established to deal with tourism and agriculture. To date the Business and Industrial Development Subcommittee has met approximately eight times, its proceedings being limited to defining its term of reference and to discussions with the other bodies referred to above on the subject of what they do and what the Regional Municipality of Niagara might do in industrial promotion. The Regional Municipality of Niagara has thus not yet undertaken any actual industrial promotion and development activity itself but has merely expressed some interest in doing so.

B - The Role of the Area Municipalities

Table 1 summarizes some of the key features of industrial promotion as it is presently undertaken by the area municipalities within the Niagara Region - the financial and human resources allocated to industrial promotion, the way it is organized and whether municipally-owned industrial park land is available for purchase by prospective companies which might wish to locate within any area municipality. This table does not tell the whole story but it tells a lot. Perhaps more than anything else, it illustrates the diversity of approach in industrial promotion within the Region.

(i) Funding

Examination of the industrial promotion operating budgets (i.e. excluding capital expenditure) shows that two area municipalities, St. Catharines and Niagara Falls, each spend more than \$100,000 per annum on industrial promotion and related activities. Fort Erie, Niagara-on-the-Lake and Welland constitute a middle group, each with an annual budget in the \$15,000-\$25,000 range. The

Table 1

SOME MAJOR FEATURES OF AREA MUNICIPAL
INDUSTRIAL PROMOTION

Area Municipality	1976 Budget (\$000's)	Full-time Operational and Support Staff	Organizational Arrangements	Municipally-owned Industrial Park Lands
Fort Erie	25	1 + 1	Probable unit of the Municipal Corporation	-
Grimsby	1	-	Part-time job of Planning and Zoning Administrator	-
Lincoln	*	-	Part-time job of Clerk	-
Niagara Falls	107	2 + 2½	Department of Chamber of Commerce	Available
Niagara-on-the-Lake	15	-	Part-time job of Planner	New park being developed
Pelham	*	-	Part-time job of Clerk/Treasurer	-
Port Colborne	6	-	Part-time job of Clerk/Administrator	New park being developed
St. Catharines	128	2 + 1½	Department of Municipality	Available
Thorold	3	-	Part-time job of Clerk	-
Wainfleet	*	-	Part-time job of Clerk/Treasurer	-
Welland	15	¾ + ½	Separate commission with own charter	Available
West Lincoln	*	-	Part-time job of Clerk	Available

* = less than \$1,000

remaining seven area municipalities spend less than \$6,000 per annum each on industrial promotion - most of them, in fact, spending little or nothing. These disparities in budget among the area municipalities reflect both the varying amount of priority given to industrial promotion by area municipal councils (and such priority would be very difficult to measure accurately) and also, of course, the total funds available to each area municipality for all expenditure purposes. For example, even if, say, Pelham were to give greater priority to industrial promotion than, say, St. Catharines, it would be unlikely that Pelham could afford to spend more on such a program than the much larger area municipality of St. Catharines. A sum of \$100,000 would be approximately 10% of Pelham's entire budget! Somewhat paradoxically, it is the bigger area municipalities which have already substantial amounts of industry which can afford, and which have tended to choose, to spend money on attracting more industry.

(ii) - Staffing

Since the greatest proportion of any industrial promotion budget is almost invariably accounted for by expenditure on staff, it is not surprising to note that only St. Catharines, Niagara Falls, Fort Erie and Welland can employ virtually or totally full-time operational and support staff to perform industrial promotion activities. The industrial promotion of the other eight area municipalities is essentially a part-time activity of other civic servants, usually the clerk or the clerk-treasurer, and the local Chamber of Commerce. However enthusiastic or able such part-timers might be, they obviously cannot be expected to achieve the same results as full-time practitioners in what is to a significant extent a personal contact business.

(iii) - Organization

Organizational arrangements also vary. Where a separate industrial promotion unit exists, it can be a department of the municipal corporation (as it is in St. Catharines and will probably be in Fort Erie), a department of the local Chamber of Commerce (as it is in Niagara Falls), or a separate entity with its own charter (such as the Welland Development Commission).

Clearly, there is no agreement as to the "one best way" of organizing industrial promotion activity. The rationale offered for each arrangement tends to be based on the prevailing view of the advantages and

disadvantages of independence on the one hand and being part of the municipal corporation on the other - in terms of such factors as effective linkage with municipal departments, flexibility in approach and the need to maintain confidentiality in dealings with the private sector. Even when there is no separate unit there is usually the involvement of the local Chamber of Commerce and of other organizations serving the business community which may receive grants from the area municipality to assist in industrial promotion. Each area municipality undertakes industrial promotion independently of other area municipalities, except for Port Colborne and Wainfleet. These two, one mainly industrial and the other mainly agricultural in character, have seen fit to combine forces through the Greater Port Colborne Chamber of Commerce which promotes industrial development in both.

The local council, being accountable for industrial promotion and any expenditure thereon, may have a committee or subcommittee of the council dealing with industrial promotion and is also represented on the board of directors of any special organizational unit set up to conduct industrial promotion activity if this unit is partly or totally supported by public funds.

Where a separate organizational unit exists, industrial promotion is sometimes grouped with other related activities such as tourism - as it is in St. Catharines - and also public relations - as it is in St. Catharines and Welland. Because the area municipalities are not forced to organize industrial promotion in some standard fashion prescribed by the Province, they do so in a variety of ways.

(iv) - Availability of Municipally-owned Land

An extremely important part of what is being promoted in industrial promotion is suitably zoned and serviced municipally-owned land, usually in the form of industrial parks. Its attractiveness to companies who might wish to locate a plant in an area municipality lies in its availability, zoning and servicing and the fact that it is probably reasonably priced because it is being sold by the area municipality on a cost-recovery, not a profit-making basis. Currently, there are municipally-owned industrial parks, all with lots unsold, in Niagara Falls, St. Catharines, Welland and West Lincoln. None of the other area municipalities has any such land at present, though Niagara-on-the-Lake has acquired the land for a park near Virgil and this is now being serviced, and Port Colborne is also developing an industrial park.

Area municipalities without industrial parks must rely on assisting companies in acquiring privately-owned property within the area municipality. This does not make industrial promotion impossible but it does make it considerably more difficult even if the area municipality is an otherwise attractive location. The capital cost to an area municipality of acquiring and servicing industrial park land is, of course, considerable and ideally the financing should not be provided in dribs and drabs. These costs are recovered when the land is sold but therein lies a problem: from the point of view of industrial promotion this land is not re-usable. Once all the lots in an industrial park are sold, there is no land left to promote unless more is acquired. In recent years in both Fort Erie and Lincoln all of the lots in their respective parks were sold but no further land has yet been purchased.

(v) - Approach

The approach taken by each area municipality is related to or partly determined by three major factors: whether there is municipally-owned industrial land available, the resources assigned to industrial promotion and the judgement of the people involved in industrial promotion activities as to what is most effective.

The importance of municipally-owned land has been discussed. Without it, some area municipalities feel that they have little or nothing to promote. In general, where there is such land the council has assigned substantial funds to industrial promotion and there is considerable industrial promotion activity. And vice versa. Two exceptions to this rule are West Lincoln, which has an industrial park but little industrial promotion activity, and Fort Erie where there is no municipally-owned land but where there is a recently established industrial promotion unit with its own staff. If this rule holds true then Fort Erie can perhaps be expected to acquire land and Niagara-on-the-Lake and Port Colborne can be expected to acquire industrial promotion staff. When a council has industrial park land it normally tries to sell it and when there are industrial promotion staff they will tend to try to persuade council to buy land. Such reasoning, of course, is simplistic as is perhaps evidenced by West Lincoln which has an industrial park but where the council does not apparently place high priority on industrial promotion.

A major constraint to industrial promotion is, of course, the resources assigned to it - the budget and staff -

and these resources normally determine whether the area municipality will undertake industrial promotion in a reactive or a proactive manner. A modest budget and no full-time staff force a reactive approach. In these circumstances all the area municipalities and the local Chamber of Commerce can do is to attempt to respond energetically to enquiries and leads by providing such information about the area municipality as a prospective company might need, by putting it in touch with real estate agents and municipal departments and by making use of civic servants, elected officials and citizens appointed to appropriate committees, to try to persuade the prospective company to pursue location within the area municipality. Operating rather like a club, there is dependence on volunteer effort and this approach is currently characteristic of Grimsby, Lincoln, Niagara-on-the-Lake, Pelham, Port Colborne, Thorold, Wainfleet and West Lincoln. Volunteer work can be very effective but in industrial promotion it is time-consuming and therefore difficult to find volunteers. In a proactive approach, on the other hand, the area municipality through its industrial promotion staff, can seek out prospective companies who might consider locating in the area municipality and can initiate contact with them in addition to responding to any enquiries. This can be done by mailing, including the distribution of promotional literature, by advertising (which is expensive) and by regular personal contact with intermediaries and prospective companies. Within limits, Fort Erie, Niagara Falls, St. Catharines and Welland can all afford to be proactive in their industrial promotion. This is not to say that they behave identically for industrial promotion and development is not an exact science. The industrial promotion staff in Niagara Falls, for example, emphasize personal contact and visits more than do the staff in St. Catharines and also regard West Germany as prime "market" whereas Fort Erie may be focusing on the U.S.A. as its market for prospective companies.

The difference in resources and approach among the area municipalities is perhaps no better illustrated than by their industrial promotion literature. This material, which contains hard facts about the area municipality though it is promotional in intent, is an important marketing and reference tool in industrial promotion. Niagara Falls, and particularly St. Catharines, have elaborate packages of such literature - brochures, booklets and directories - which are carefully prepared and updated. Grimsby, Thorold, Welland, West Lincoln and Port Colborne and Wainfleet (together) tend to have less material - often just a brochure or folder with inserts which may be of variable quality and is not always up-to-date. Lincoln and Pelham have none.

Naturally the amount of service provided to existing businesses within an area municipality is also a function of the resources assigned to industrial promotion. Specialist industrial promotion staff provide a useful point of contact for local businessmen in a variety of matters, including the expediting of building permits, water pressure and drainage problems and general commercial intelligence. Again, where there are full-time industrial promotion staff, they have the opportunity to initiate and maintain contacts rather than being purely reactive. In Niagara Falls, one of the two professional industrial promotion staff concentrates almost entirely on providing such service to existing businesses.

(vi) - Competition and Co-operation

Given that the area municipalities and, to a limited extent, the Province are all active in industrial promotion within the Niagara Region, it is reasonable to ask how much they are competing with each other and how much they are co-operating with each other in what is supposed to be a single region in Ontario. The answer is simple: no more than one would expect.

In a general sense, the area municipalities are not competitive in industrial promotion. What one area municipality gains the other does not necessarily lose. The whole world is their hunting ground and even if their market for prospective markets was restricted (sic) to the rest of Canada, the U.S.A. and all or part of Europe, it is extremely unlikely that industrial promotion staff would often find themselves initiating contact with the same individual prospects. Insofar as attracting foreign companies to Canada is concerned, the twelve area municipalities are competing more with the rest of Canada than with each other.

Some competition, or at least feelings of competition, however, do exist among the area municipalities in the Niagara Region. Firstly, there is the natural inclination to make inter-area municipal comparisons in which each area municipality attempts to assess how well it is doing in attracting industry relative to the others. Such a phenomenon is hardly unhealthy. Second, when an individual prospect has been identified by an area municipality, that area municipality takes care not to disclose the identity of the company to any other area municipality for fear that it might be sought after by that area municipality and choose to locate within it. This, of course, can be bad for the Region

if the company finally locates its operation outside of the Region rather than in another area municipality within the Region. In view of the confidentiality which surrounds much industrial promotion activity, there is no way of knowing how often, if ever, this happens.

Partly because of such competition there is not much co-operation in industrial promotion among the twelve area municipalities. There is some between the area municipalities and the Province and the industrial promotion staff in the area municipalities will work together with provincial officials, including the local representatives of the Ontario Ministry of Industry and Tourism, whom they regard as helpful and playing a useful role. Among the area municipalities themselves, however, co-operation is limited to sharing information on such subjects as commercial and industrial property available for sale, to giving each other advice and to discussion about industrial promotion and development on the basis of their common interest. There is little joint venturing among area municipalities even where there could perhaps be economies of scale such as in advertising. If Port Colborne and Wainfleet are able to co-operate through a single Chamber of Commerce, this might be because they do not think they are in competition with each other. In all other respects each area municipality tends to go its own way and this is in some respects understandable. Industrial promotion staff are being paid by their respective area municipalities to promote business and industry in those area municipalities and this is where their loyalties lie. A prospective company will only be referred to another area municipality as a last resort when it is clear that it will not locate in the staff's own area municipality. The same argument applies to the provision of services to existing firms: it would simply not be proper or in the interest of industrial promotion staff to assist firms outside of their own jurisdictions.

There thus is no regional approach taken in industrial promotion in the Niagara Region. In view of the contentions of its regional planning and development and the importance of industry, agriculture and tourism, this is perhaps surprising.

(vii) - Costs and Effectiveness

The approximate budget figures contained in Table 1 indicate that the total direct cost of industrial promotion incurred by all twelve area municipalities in the Niagara Region is currently some \$300,000 per annum. This figure does not include the cost of the

time of the civic servants and others who assist in industrial promotion activity on an occasional or part-time basis. Nor does it include any costs incurred by the Regional Municipality of Niagara or those of the Province through the regional operation of the Ministry of Industry and Tourism. A rough estimate suggests that the total direct costs incurred by all three levels of government in industrial promotion in the Niagara Region must be approaching \$400,000 per annum.

This is a substantial sum. Assuming that industrial promotion is desirable at all as an activity, is the local taxpayer getting his money's worth? No one knows for sure and unfortunately this research paper will not provide the answer either. Measuring the effectiveness of an activity such as industrial promotion is even more difficult than accurately measuring its costs because there are far too many uncontrollable variables to be able to determine how much business and industrial growth took place as a result of active promotion as opposed to that which would have taken place anyway. Even those measures of growth which are commonly used, such as the value of building permits, tend to be crude, misleading and often susceptible to changes unrelated to real growth (such as inflation).

All that can be said with confidence is that the industrial promotion activities of the twelve area municipalities appears to be effective. The people engaged in industrial promotion in the Niagara Region give the impression of being knowledgeable, well-motivated and diligent in their efforts to enhance the economic and social well-being of their area municipalities. They seem to be both respected and supported by the business communities. The cost-effectiveness of industrial promotion in different area municipalities in the Niagara Region cannot be ascertained but it is nevertheless reasonable to assume that the more an area municipality is putting into industrial promotion, the more it is getting out of it and that in general desired results are being achieved.

CHAPTER 3 - THE ISSUES

A number of issues can be identified in considering what role, if any, the Regional Municipality of Niagara should play in industrial promotion within the Niagara Region. These issues are sometimes complex and tend to be related but, if only for reasons of convenience, they can be examined under three headings: the preservation of local autonomy, the distribution of benefits and planning.

A - Preservation of Local Autonomy

A high value is placed on the autonomy of the area municipalities in the Niagara Region by many people - elected officials, civic servants and citizens. Generalizing about public opinion is difficult and dangerous but it is clear that almost any attempt by the Regional Municipality of Niagara to involve itself in activities which are felt to be the responsibility of the area municipalities will be resented and resisted regardless of the merit of such involvement. The preservation of local autonomy is a very emotional issue in which logic sometimes plays only a small part. It has less to do with the rationalization of government services than with human nature, self-determination and the territorial imperative but it is no less real or important for that.

Feelings about preserving autonomy are thus not associated only with industrial promotion. They apply to most, if not all, regional and area municipal responsibilities but the fierce negative reaction of some people to the establishment of a Regional Niagara Business and Industrial Development Subcommittee is perhaps symptomatic of the phenomenon. An apparently modest initiative by the Regional Municipality of Niagara has been regarded by some as the thin end of a wedge which might ultimately do away with the need for any industrial promotion activities and jobs at the area municipal level.

Most of the opposition to the Regional Municipality of Niagara in this matter is probably found in Niagara Falls, Fort Erie, St. Catharines and Welland - those area municipalities which are most active in industrial promotion and which feel that they have more to lose than to gain by regional involvement. People in other area municipalities have more mixed feelings but even among some of them there is resistance to the idea of "big brother" doing for them what they cannot afford to do for themselves. Recognition of the importance of local autonomy supports the argument for retaining industrial promotion as an area municipal responsibility.

B - Distribution of Benefits

More rational, or at least somewhat less emotional, is the issue of the benefits of industrial promotion. These benefits can take many forms. A new factory or business establishment in a community puts more tax money in the municipal coffers, directly provides more job opportunities for residents, increases local bank deposits, requires legal, insurance, and other services, increases retail sales and generates job opportunities in other fields. A new factory, particularly if owned by a reputable and nationally-known company, is visible evidence of growth and progress and perhaps achievement during a political term of office. The benefits, indeed, are substantial and they form the rationale for an area municipality undertaking industrial promotion.

What is less clear is who is enjoying these benefits and how significant they are within any area municipality. Even disregarding those benefits which accrue to relatively few individuals rather than to the community as a whole, it would seem that the gains made through industrial promotion are not nearly as confined to single area municipalities as tends to be believed. This can be illustrated by a brief consideration of that benefit most often stated as important in industrial promotion, namely, the broadening of the tax base.

Table 2 contains a 1974 summary of area municipality revenues by taxation. These show wide discrepancies in residential-farm and commercial-industrial and business taxation. Area municipal officials are well aware of these figures and, in those area municipalities in which only a relatively small percentage of revenue is raised from commercial, industrial and business sources, many of them tend to express both concern and also the hope that non-residential and non-farm assessment can be increased by industrial promotion. This is not unsound reasoning but what is not perhaps appreciated is the extent to which revenue by all forms of property taxation is already being distributed regionally. Municipal funding is a complex subject (particularly when the impact of payments from the Province is considered) and no analysis of it is being attempted in this paper. However, in a separate background report¹ prepared for the Niagara Region Study Review Commission, the author, Dr. L.A. Soroka, concludes that there is no evidence that high commercial-industrial assessment in an area municipality lowers residential property taxes in that municipality. He goes on to state that the more commercial-industrial assessment obtained by an area municipality, the more it pays towards

¹Public Finance In the Niagara Region, Dr. L.A. Soroka, 1976.

Table 2

1974 SUMMARY OF REVENUES BY TAXATION

	<u>Residential and Farm</u>	<u>Commercial Industrial</u>	<u>Business</u>
	%	%	%
Thorold	41	39	18
Niagara Falls	48	37	14
Welland	49	32	16
Port Colborne	52	31	14
Fort Erie	61	25	8
St. Catharines	63	25	11
Niagara-on-the-Lake	75	18	5
West Lincoln	76	16	5
Grimsby	78	16	5
Lincoln	78	16	5
Pelham	81	11	2
Wainfleet	85	12	3

Note - Special charges are excluded and hence rows do not total 100%.

regional municipal costs and the lower its grants from the Province. In addition, industry not only pays taxes but requires services which an area municipality would not otherwise have to provide.

Dr. Soroka thus challenges much of the conventional wisdom about the fiscal benefits of industry. One can only agree with him that if there were a better understanding of the municipal financing system, there would be less battling among area municipalities over commercial-industrial assessment. Presumably, if there were a better understanding, one reason for having industrial promotion as an area municipal responsibility would be removed and there would also be less "planning by assessment" among the area municipalities and less concern among some of them about becoming nothing more than dormitory communities.

Currently, however, the benefits of industrial promotion are perceived, not altogether correctly, to be derived by the area municipalities and, indeed particular communities within some area municipalities, rather than by the Region as a whole. Regional industrial promotion activity is thus resisted on the grounds that, while the Regional Municipality of Niagara could undertake some limited research or promotional activity, it could not be expected to resolve the question of how the benefits of such activity were to be distributed. In which area municipalities would the Regional Municipality of Niagara establish industrial parks or otherwise locate industry?

C - Planning

An answer to the preceding question can only be sought within the context of planning. Industrial promotion is an integral element of planning and development as a whole. Since prime responsibility, which does not mean the sole responsibility, for planning and development in the Niagara Region rests with the Regional Municipality of Niagara, it is not illogical to suggest that industrial promotion should be an activity co-ordinated or supervised at the regional level. Naturally, such reasoning does not impress those individuals who think that far too much and far too detailed planning is already being undertaken by the Regional Municipality of Niagara and who do not want regional duplication of industrial promotion activity already undertaken by the area municipalities.

The differences of opinion here are partly philosophical. The merits of broad government planning are in conflict with the merits of local initiative and enterprise. Like most

philosophical disputes, however, there are emotional and practical undertones to both positions. The supporters of regional planning - caricatured as "utopian and impractical" - are genuinely concerned by the social and economic costs of uncontrolled growth and by what they regard as the poor location of some industry within the Region and within individual area municipalities. Opposed to them are the area municipality industrial promotion protagonists - caricatured as "seeking industry at all costs". They in turn feel not assisted but frustrated in their efforts by a combination of factors which include inadequately serviced land, cumbersome approvals processes, and a provincial government and a regional government which at times appear insufficiently aware of local needs.

Some of the area municipal critics of the more senior levels of government go further in expressing doubts not only about whether the Regional Municipality of Niagara should do industrial promotion but whether it could do it, at least at a reasonable cost and in a democratic manner. Rightly or wrongly, they feel that industry would go elsewhere rather than locate in the Niagara Region if it had to deal with an impersonal regional government bureaucracy as opposed to area municipality representatives more in tune with industries' needs and local conditions.

This entire planning argument cannot be easily settled, if at all. It centres on a complex issue which is further clouded in the Niagara Region by the importance of farming and the location of area municipalities boundaries. Actually, neither of these matters is germane. If there were no agricultural land in the Niagara Region, there would still be a need for planning and development and, assuming a genuine "community of interest" in the Region, this would still have to be partly done at a regional level. Similarly, where area municipality boundaries are drawn and indeed how many municipalities there are, does not obviate the need for regional planning.

At least two further major observations can be made about the planning issue. Firstly, it is unfortunate that there has been some polarization in the position of the area municipality and regional camps and their supporters in regard to industrial promotion. No one wants either socio-economic stagnation and decline or galloping and costly industrial growth in the Niagara Region, least of all the people who live there. The views of the two opposing "sides" are not fundamentally in conflict even though their behaviour might at times suggest this. Secondly, there is only guarded acceptance of "regionalism" within the Niagara Region and if the Regional Municipality of Niagara does any industrial promotion activity at all, it had better do it well. Its critics will be waiting for it to fail.

CHAPTER 4 - THE OPTIONS

A number of alternative courses of action, or inaction, regarding industrial promotion can be considered as viable at this time of review of local government in Niagara. Their implementation may require alteration in legislation, but that should not be regarded as an impediment to change if change is required by the people of the Niagara Region. At this stage these alternatives can be outlined in the form of three options in which industrial promotion is treated as either an area municipal activity, or a regional activity, or a joint activity at both the area municipal and regional levels.

A - An Area Municipality Activity

This is simple and means that nothing different need be done regarding industrial promotion in the Niagara Region, except for disbanding the Niagara Region Business and Industrial Development Subcommittee. The Regional Municipality of Niagara would withdraw entirely from industrial promotion and leave the responsibility for such activity with the twelve area municipalities where it essentially rests now. With such assistance as they receive from the Province, the area municipalities would continue to promote themselves and service their existing business and industry without any additional help or interference from the Regional Municipality. Any changes made in industrial promotion funding, staffing, organization, approach and inter-area municipal co-operation would be left to the initiative of the area municipalities themselves as would the establishment of industrial parks within the usual zoning and approval processes.

A major advantage of this option lies in the fact that it does not require significant change to what is happening now. Change can be very disruptive and within this option elected and appointed officials would not have to spend time trying to determine a role for the Regional Municipality in industrial promotion and neither would the area municipalities have to make any adjustment to their industrial promotion plans and programs. The other major advantage of this option is that it gives full recognition to the importance of area municipal autonomy and the exercise of local authority in matters which many people believe should be under area municipal jurisdiction.

The disadvantages of this option are substantial. It would not provide for any regional approach to industrial promotion and could be expected to continue to make regional planning and development both difficult and also somewhat characterized

by conflict between area municipal industrial promotion activity on the one hand and regional planning and development activity on the other. Insofar as industry tends to be poorly located now, it would continue to be poorly located in the future. Given the relatively hard financial times being experienced by local governments throughout Ontario, greater emphasis may be placed on industrial promotion as a source of much-needed revenue and the disparity between the "have and have not" area municipalities would probably increase. Those which could afford to attract industry would do so and those which could not would either remain rural in character or provide homes rather than jobs. If regional planning has any merit at all, it should produce better results than such "development by default". Finally, this option would not take advantage of such economies of scale as might exist in joint or consolidated effort in industrial promotion in the Niagara Region.

B - A Regional Activity

In this option, total responsibility for industrial promotion would be assumed by the Regional Municipality of Niagara and the area municipalities would undertake none.

Organizational arrangements could vary but essentially the Regional Municipality of Niagara would either establish a new industrial promotion operation of its own or, more sensibly, take over the funding and the administration of such industrial promotion units and their staff as currently exist among the twelve area municipalities. These units could continue to be located within the area municipalities but they would be brought together organizationally to form a separate agency of the Regional Municipality, or part of the Niagara Regional Chamber of Commerce, or a department of the Regional Municipality or possibly part of the regional Planning and Development Department. In view of the need to provide the new organization with some measure of independence in its dealings with both the private sector and government, separation from the municipal corporation might be desirable.

This unit would report to the Regional Council through the Regional Chairman or through a committee, which could include representatives of the Niagara Regional Chamber of Commerce. It would work closely with the area municipalities and local Chambers of Commerce in performing the three basic sets of industrial promotion activities described earlier in this paper - assistance in the provision of what is needed by industry, including industrial park land; promotion of the Region; and service to existing business and industry.

The advantages of this option include the full recognition it gives to the need for a regional approach in industrial promotion. The result should be more effective regional planning and development as a whole, and, in particular, better location of different types of industry within the region and within area municipalities. The smaller area municipalities which cannot now afford much industrial promotion activity of their own could benefit from the activities of such a regional body. It would also be possible in this option to achieve some economies of scale in industrial promotion activities, although these would be unlikely to offset the increase in costs caused by providing service to the smaller area municipalities.

The major disadvantage of this option is that it would not acknowledge the current political and bureaucratic realities of the Niagara Region. A "one-tier" industrial promotion operation would be resented and would receive only limited support. Its proceedings could be characterized by conflict, particularly in such matters as where any new municipally-owned industrial parks might be located.

Despite these disadvantages and the inconclusive evidence as to how effective regional industrial promotion is in other regions of the Province, this option must be regarded as workable. It would require a high degree of acceptance by Niagara Region residents of the idea of a "community of interest" but it could yield significant benefits.

C - A Joint Activity

The essence of this option is that industrial promotion would be performed at both the area municipal and regional levels of government in a two-tier operation. The two levels could have a hierarchical relationship, with the area municipalities being obliged to seek approval of certain of their decisions from the Regional Municipality or responsibility could simply be shared with the area municipalities and the Regional Municipality performing different but related activities and neither subordinate to the other. A variety of organizational arrangements would be operationally feasible in such a two-tier operation and could also serve to preserve or change the balance of power among the area municipalities and the Regional Municipality and to provide such co-ordination in industrial promotion as was desired. If this option is favoured the organizational implications will have to be examined in due course.

Regardless of the organization structure chosen, the Regional Municipality would under this option require both funding and staff of its own in order to perform an industrial promotion role at the regional level. Ignoring the matter of supervision and co-ordination, the activities undertaken at the regional level would consist primarily of those which had a unique regional content and those which offered some cost saving through economy of scale. Examples could include regional studies of transportation, commuting and existing and desired industry; the preparation of regional directories and of literature promoting the entire region to supplement the promotional literature of the area municipalities; and regional advertising. Regional industrial promotion activities would probably not include "prospecting" for companies which might locate within the region, the establishment of municipally-owned industrial parks or the provision of direct service to existing business and industry. These activities would continue to be performed by the area municipalities in accordance with their own priorities and resources. This option would represent enhancement of the present level and type of industrial promotion activity being undertaken within the Region and it could therefore be expected to increase the total expenditure on industrial promotion even if care were taken to avoid unnecessary duplication of activity between the area municipalities and the Regional Municipality.

The advantages of this option are that it would provide at least a tentative regional approach to industrial promotion and would achieve some economies of scale. Perhaps as important, it would provide an opportunity for constructive dialogue and co-operation between the area municipalities and the Regional Municipality in a matter of common interest as opposed to mere confrontation. Local autonomy would continue to be acknowledged in what is a compromise between extremes represented by the other two options presented in this paper. Currently, the role of the Regional Municipality in industrial promotion is perceived, perhaps incorrectly, as being primarily negative: the official regional plan is hardly constraining but when the Regional Municipality says anything at all, it says "no". This option should offer it the opportunity to play a positive role.

There are disadvantages to this option. If the Regional Municipality were given some authority over area municipalities in industrial promotion activity this would be regarded as a usurpation of area municipal autonomy and would be resisted. Alternatively, if the regional municipality were to have no authority over the area municipalities in industrial promotion it would have little power to effect co-ordination and would be in a relatively weak position. A strong lower-tier and weak upper-tier arrangement is not an unattractive proposition

to many people but it does make the achievement of co-ordination difficult. Some co-ordination is undoubtedly needed and this has been pointed out in briefs submitted to the Niagara Region Study Review Commission, although significantly none of the briefs has been specific about how this co-ordination might be brought about. In the absence of industrial promotion authority at the regional level, influence could only be exerted by persuasion. Under this option meetings could be expected to be long and, at times, heated, but this would be preferable to having no meetings at all.

The third option, with industrial promotion as a joint activity, is recommended as more constructive and more practical than either maintaining the status quo or establishing industrial promotion as solely a responsibility at the regional level. Far from being disbanded, the Niagara Region Business and Industrial Development Subcommittee should be reconstituted as an ad hoc committee of the Regional Council and should continue to explore ways and means for involvement of the Regional Municipality in industrial promotion and development. While there is no consensus of opinion, most people in the Niagara Region seem to think that some such involvement is needed.

